GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

January 18, 2017

Greg Poole
Superintendent
Barbers Hill Independent School District
P.O. Box 1108
Mont Belvieu, Texas 77580-1108

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes by and between Barbers Hill Independent School District and Enterprise Products Operating, LLC, Application 1162

Dear Superintendent Poole:

On December 14, 2016, the Comptroller issued written notice that Enterprise Products Operating, LLC (applicant) submitted a completed application (Application 1162) for a limitation on appraised value under the provisions of Tax Code Chapter 313[1]. This application was originally submitted on November 14, 2016, to the Barbers Hill Independent School District (school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter B; and
2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application 1162.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter B.

[1] All statutory references are to the Texas Tax Code, unless otherwise noted.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district's maintenance and operations *ad valorem tax* revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period, see Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state, see Attachment C.

Based on these determinations, the Comptroller does issue a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2017.

Note that any building or improvement existing as of the application review start date of December 14, 2016, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Enterprise Products Operating, LLC (project) applying to Barbers Hill Independent School District (district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Enterprise Products Operating, LLC.

Applicant	Enterprise Products Operating, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2015-2016 Average Daily Attendance	4,785
County	Chambers
Proposed Total Investment in District	$921,200,000
Proposed Qualified Investment	$846,000,000
Limitation Amount	$80,000,000
Qualifying Time Period (Full Years)	2018-2019
Number of new qualifying jobs committed to by applicant	25
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	$1,250
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(b)	$1,163
Minimum annual wage committed to by applicant for qualified jobs	$65,000
Minimum weekly wage required for non-qualifying jobs	$1,188
Minimum annual wage required for non-qualifying jobs	$61,764
Investment per Qualifying Job	$36,848,000
Estimated M&O levy without any limit (15 years)	$124,023,801
Estimated M&O levy with Limitation (15 years)	$47,224,476
Estimated gross M&O tax benefit (15 years)	$76,799,325

Table 2 is the estimated statewide economic impact of Enterprise Products Operating, LLC (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2017	450	515	965	$29,250,000	$43,178,100	$72,428,100
2018	1000	1,173	2173	$65,000,000	$106,547,200	$171,547,200
2019	1025	1,295	2320	$66,625,000	$129,131,800	$195,756,800
2020	25	258	283	$1,625,000	$40,283,600	$41,908,600
2021	25	149	174	$1,625,000	$29,630,500	$31,255,500
2022	25	78	103	$1,625,000	$21,832,700	$23,457,700
2023	25	47	72	$1,625,000	$17,174,900	$18,799,900
2024	25	39	64	$1,625,000	$14,718,900	$16,343,900
2025	25	44	69	$1,625,000	$14,110,700	$15,735,700
2026	25	57	82	$1,625,000	$14,574,200	$16,199,200
2027	25	72	97	$1,625,000	$15,706,800	$17,331,800
2028	25	87	112	$1,625,000	$17,290,500	$18,915,500
2029	25	102	127	$1,625,000	$19,126,500	$20,751,500
2030	25	105	130	$1,625,000	$19,893,200	$21,518,200
2031	25	111	136	$1,625,000	$20,877,700	$22,502,700
2032	25	116	141	$1,625,000	$21,895,900	$23,520,900
2033	25	120	145	$1,625,000	$22,935,600	$24,560,600
2034	25	124	149	$1,625,000	$23,985,400	$25,610,400

Source: CPA REMI, Enterprise Products Operating, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives									
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	City of Baytown ETJ Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.2698	1.0600		0.5527	0.8220	
2020	$423,000,000	$423,000,000		$1,141,254	$4,483,800	$5,625,054	$2,337,874	$3,477,187	$11,440,115
2021	$921,200,000	$921,200,000		$2,485,398	$9,764,720	$12,250,118	$5,091,371	$7,572,540	$24,914,029
2022	$902,400,000	$902,400,000		$2,434,675	$9,565,440	$12,000,115	$4,987,466	$7,417,999	$24,405,579
2023	$883,600,000	$883,600,000		$2,383,953	$9,366,160	$11,750,113	$4,883,560	$7,263,457	$23,897,130
2024	$864,800,000	$864,800,000		$2,333,230	$9,166,880	$11,500,110	$4,779,654	$7,108,915	$23,388,680
2025	$846,000,000	$846,000,000		$2,282,508	$8,967,600	$11,250,108	$4,675,749	$6,954,374	$22,880,231
2026	$827,200,000	$827,200,000		$2,231,786	$8,768,320	$11,000,106	$4,571,843	$6,799,832	$22,371,781
2027	$808,400,000	$808,400,000		$2,181,063	$8,569,040	$10,750,103	$4,467,938	$6,645,291	$21,863,332
2028	$792,232,000	$792,232,000		$2,137,442	$8,397,659	$10,535,101	$4,378,579	$6,512,385	$21,426,065
2029	$776,387,360	$776,387,360		$2,094,693	$8,229,706	$10,324,399	$4,291,008	$6,382,137	$20,997,544
2030	$760,859,613	$760,859,613		$2,052,799	$8,065,112	$10,117,911	$4,205,187	$6,254,494	$20,577,593
2031	$745,642,421	$745,642,421		$2,011,743	$7,903,810	$9,915,553	$4,121,084	$6,129,404	$20,166,041
2032	$730,729,572	$730,729,572		$1,971,508	$7,745,733	$9,717,242	$4,038,662	$6,006,816	$19,762,720
2033	$716,114,981	$716,114,981		$1,932,078	$7,590,819	$9,522,897	$3,957,889	$5,886,680	$19,367,466
2034	$701,792,681	$701,792,681		$1,893,437	$7,439,002	$9,332,439	$3,878,731	$5,768,946	$18,980,116
			Total	$31,567,568	$124,023,801	$155,591,369	$64,666,595	$96,180,458	$316,438,422

Source: CPA, Enterprise Products Operating, LLC

[1]Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Baytown ETJ and Chambers County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatements with the County and City ETJ.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	City of Baytown ETJ Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.2698	1.0600		0.5527	0.8220	
2020	$423,000,000	$80,000,000		$1,141,254	$848,000	$1,989,254	$584,469	$1,217,015	$3,790,738
2021	$921,200,000	$80,000,000		$2,485,398	$848,000	$3,333,398	$1,272,843	$2,650,389	$7,256,629
2022	$902,400,000	$80,000,000		$2,434,675	$848,000	$3,282,675	$1,246,866	$2,596,300	$7,125,841
2023	$883,600,000	$80,000,000		$2,383,953	$848,000	$3,231,953	$1,220,890	$2,542,210	$6,995,053
2024	$864,800,000	$80,000,000		$2,333,230	$848,000	$3,181,230	$1,194,914	$2,488,120	$6,864,264
2025	$846,000,000	$80,000,000		$2,282,508	$848,000	$3,130,508	$1,168,937	$6,954,374	$11,253,819
2026	$827,200,000	$80,000,000		$2,231,786	$848,000	$3,079,786	$1,142,961	$6,799,832	$11,022,579
2027	$808,400,000	$80,000,000		$2,181,063	$848,000	$3,029,063	$1,116,984	$6,645,291	$10,791,338
2028	$792,232,000	$80,000,000		$2,137,442	$848,000	$2,985,442	$4,378,579	$6,512,385	$13,876,406
2029	$776,387,360	$80,000,000		$2,094,693	$848,000	$2,942,693	$4,291,008	$6,382,137	$13,615,838
2030	$760,859,613	$760,859,613		$2,052,799	$8,065,112	$10,117,911	$4,205,187	$6,254,494	$20,577,593
2031	$745,642,421	$745,642,421		$2,011,743	$7,903,810	$9,915,553	$4,121,084	$6,129,404	$20,166,041
2032	$730,729,572	$730,729,572		$1,971,508	$7,745,733	$9,717,242	$4,038,662	$6,006,816	$19,762,720
2033	$716,114,981	$716,114,981		$1,932,078	$7,590,819	$9,522,897	$3,957,889	$5,886,680	$19,367,466
2034	$701,792,681	$701,792,681		$1,893,437	$7,439,002	$9,332,439	$3,878,731	$5,768,946	$18,980,116
			Total	$31,567,568	$47,224,476	$78,792,044	$37,820,003	$74,834,394	$191,446,441
			Diff	$0	$76,799,325	$76,799,325	$26,846,592	$21,346,064	$124,991,981

Assumes School Value Limitation and Tax Abatements with the County and City ETJ.

Source: CPA, Enterprise Products Operating, LLC

[1]Tax Rate per $100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

This represents the Comptroller's determination that Enterprise Products Operating, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2017	$149,460	$149,460	$0	$0
	2018	$1,145,860	$1,295,320	$0	$0
	2019	$3,387,760	$4,683,080	$0	$0
Limitation Period (10 Years)	2020	$848,000	$5,531,080	$3,635,800	$3,635,800
	2021	$848,000	$6,379,080	$8,916,720	$12,552,520
	2022	$848,000	$7,227,080	$8,717,440	$21,269,960
	2023	$848,000	$8,075,080	$8,518,160	$29,788,120
	2024	$848,000	$8,923,080	$8,318,880	$38,107,000
	2025	$848,000	$9,771,080	$8,119,600	$46,226,600
	2026	$848,000	$10,619,080	$7,920,320	$54,146,920
	2027	$848,000	$11,467,080	$7,721,040	$61,867,960
	2028	$848,000	$12,315,080	$7,549,659	$69,417,619
	2029	$848,000	$13,163,080	$7,381,706	$76,799,325
Maintain Viable Presence (5 Years)	2030	$8,065,112	$21,228,192	$0	$76,799,325
	2031	$7,903,810	$29,132,002	$0	$76,799,325
	2032	$7,745,733	$36,877,735	$0	$76,799,325
	2033	$7,590,819	$44,468,554	$0	$76,799,325
	2034	$7,439,002	$51,907,556	$0	$76,799,325
Additional Years as Required by 313.026(c)(1) (10 Years)	2035	$7,290,222	$59,197,779	$0	$76,799,325
	2036	$7,144,418	$66,342,197	$0	$76,799,325
	2037	$7,001,530	$73,343,726	$0	$76,799,325
	2038	$6,861,499	$80,205,225	$0	$76,799,325
	2039	$6,724,269	$86,929,494	$0	$76,799,325
	2040	$6,589,784	$93,519,278	$0	$76,799,325
	2041	$6,457,988	$99,977,266	$0	$76,799,325
	2042	$6,328,828	$106,306,094	$0	$76,799,325
	2043	$6,202,252	$112,508,345	$0	$76,799,325
	2044	$6,078,207	$118,586,552	$0	$76,799,325
		$118,586,552	is greater than	**$76,799,325**	

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, Enterprise Products Operating, LLC

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that "the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state." This represents the basis for the Comptroller's determination.

Methodology
Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination
The Comptroller has determined that the limitation on appraised value is a determining factor in the Enterprise Products Operating, LLC's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per Enterprise Products Operating, LLC, Inc. in Tab 5 of their Application for a Limitation on Appraised Value:
  A. "An appraised value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize the Applicant to invest capital in the proposed project rather than making an alternative investment."
  B. "The ability to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor to invest in this project."
- In a December 6 –7, 2016 Wells Fargo Pipeline, MLP and Utility Symposium presentation by Enterprise Products Partners, LP it reported one of the projects mentioned under development is an isobutene dehydrogenation facility.
- A December 11, 2016 *Advisor Access* article states that Enterprise Products Partners, LP. is "developing an isobutene dehydrogenation (ibDH) plant that would allow us to fully utilize two existing facilities to increase our production of motor gasoline additives and petrochemical feedstocks."

Supporting Information

a) Section 8 of the Application for a Limitation on Appraised Value
b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
c) Additional information provided by the Applicant or located by the Comptroller

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☑ Yes ☐ No
2. The property will be used for one of the following activities:
   - (1) manufacturing ☑ Yes ☐ No
   - (2) research and development ☐ Yes ☑ No
   - (3) a clean coal project, as defined by Section 5.001, Water Code ☐ Yes ☑ No
   - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code ☐ Yes ☑ No
   - (5) renewable energy electric generation ☐ Yes ☑ No
   - (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☑ No
   - (7) nuclear electric power generation ☐ Yes ☑ No
   - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☑ No
   - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☑ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☑ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☑ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☑ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☑ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☑ No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:
   - ☑ Land has no existing improvements
   - ☐ Land has existing improvements *(complete Section 13)*
   - ☐ Expansion of existing operation on the land *(complete Section 13)*
   - ☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? ☑ Yes ☐ No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? ☑ Yes ☐ No
3. Does the applicant have current business activities at the location where the proposed project will occur? ☑ Yes ☐ No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? ☐ Yes ☑ No
5. Has the applicant received any local or state permits for activities on the proposed project site? ☐ Yes ☑ No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? ☐ Yes ☑ No
7. Is the applicant evaluating other locations not in Texas for the proposed project? ☐ Yes ☑ No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? ☐ Yes ☑ No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? ☐ Yes ☑ No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? ☑ Yes ☐ No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

Tab # 5

Limitation is a Determining Factor

1. **Does the applicant currently own the land on which the proposed project will occur?**

   Applicant owns the land upon which the proposed project identified in Tab 7 will be constructed. That land is described in Tab 9, Item 1.

2. **Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?**

   The Applicant has entered into a purchase and sale agreement and ancillary agreements with a customer which, *inter alia*, to the extent possible, assure the long-term supply of and demand for various products containing isobutylene. These products would be produced from Applicant's existing plants as well as the proposed project. These agreements are a common and necessary precursor to the Applicant's commitment of its capital investment in a proposed project of this magnitude. Moreover, in the ordinary course of business, the Applicant routinely pursues supply sources of and demand for product which are adequate to justify the investment the Applicant is making in the proposed project.

3. **Does the applicant have current business activities at the location where the proposed project will occur?**

   As described in Tab 10 to this Application, the site of the proposed project is currently being used as a construction staging area for an unrelated project under construction by the Applicant. The construction items in the staging area are not improvements to the site of the proposed project. The construction items in the staging area will be totally removed from the site of the proposed project prior to commencement of the construction of the proposed project.

4. **Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?**

   Over the past two years, Applicant has made public statements investor conferences and analyst calls regarding the potential development of additional facilities to convert isobutane into other products and the potential to develop a isobutane dehydrogenation plant. Such statements have only concerned the potential development of such a plant, and have not been site specific.

5. **Has the applicant received any local or state permits for activities on the proposed project site?**

   N/A

6. **Has the applicant received commitments for state or local incentives for activities at the proposed project site?**

   N/A

7. **Is the applicant evaluating other locations not in Texas for the proposed project?**

   N/A

8. **Has the applicant provided capital investment or return on investment information for the proposed project in comparison with alternative investment opportunities?**

   See Item 10 to Tab 5, as referenced below in the answer to question 10.

9. **Has the applicant provided information related to the applicant's inputs, transportation and market for the proposed project?**

   N/A

10. **Are you submitting information to assist in the determinations as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas?**

    See the attached Item 10 to Tab 5.

Key Determining factors:

- The Applicant has submitted in Item 10 to Tab 5 a discounted cash flow model (DCF) computing the proposed project's rate of return with the Chapter 313 appraised value limitation agreement and without the value limitation agreement. The DCF model shows that the rate of return with the valuation limitation agreement exceeds the minimum rate of return required by the Applicant to proceed with the proposed investment.

- An appraised value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize the Applicant to invest capital in the proposed project rather than making an alternative investment.
- The property tax burden for the Applicant's proposed project is significant. The property tax burden has a direct impact on the proposed project's economic viability and the decision to invest in Texas.
- The ability to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor to invest in this project.
- Capital investments by the Applicant are based on expected economic return on investment. Property tax liabilities can make up a substantial ongoing cost of operation that directly impacts the rate of return on the investment in the proposed project. Without the tax incentive the economics of this project will be less competitive with other capital intensive projects and the viability of the proposed project becomes uncertain.
- Tax incentives play an important role in attracting capital intensive manufacturing facilities due to the high property tax burden in Texas.
- The Applicant is evaluating various manufacturing projects for development and where to commit substantial long term investment based on economic rate of return on investment in the proposed projects. The economic benefits provided by a Chapter 313 appraised value limitation agreement is an important component in this analysis.

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

ENTERPRISE PRODUCTS PARTNERS L.P.

WELLS FARGO PIPELINE, MLP AND UTILITY SYMPOSIUM

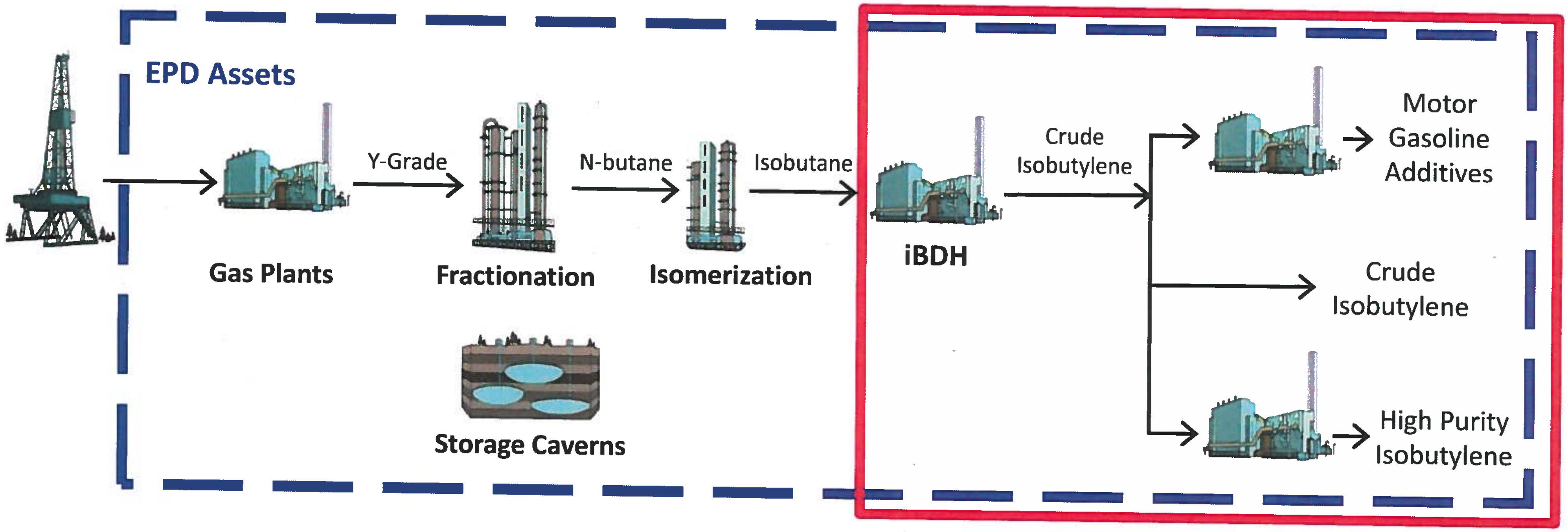
December 6–7, 2016

Randy Fowler
President

EPD LISTED NYSE

PROJECTS UNDER DEVELOPMENT

PROJECT UNDER DEVELOPMENT:
iso–Butane DeHydrogenation (iBDH)



- Provides substantial growth in our butane value chain
- Fills existing capacity at our gasoline additive and high purity isobutylene facilities
- Supported by long term fee-based contracts

FEATURED COMPANY

Click HERE to download a printable version of this report.

Enterprise Products Partners L.P.

The Power of Diversity and Distribution

Enterprise Products Partners L.P. (NYSE: EPD) provides midstream energy services to producers and end users throughout the U.S. Enterprise's assets include 49,000 miles of natural gas, natural gas liquids (NGLs), crude oil, refined products, and petrochemical pipelines, storage for 250 million barrels of NGLs, refined products, and crude oil, 25 natural gas processing plants, and eight import/export terminals with over 20 docks. One of the largest MLPs in the U.S., Enterprise has maintained distributable cash flow in the most current downturn in the energy cycle. For more information, visit www.enterpriseproducts.com.

- Consistent distribution growth: 48 consecutive quarters
- Market Cap: ~$60 billion
- ~$35 billion of organic growth projects and $26 billion of major acquisitions since IPO in 1998
- Dividend Yield: ~6%

Click here to view the Enterprise Products Fact Sheet
Click here to view the Enterprise Products Investor Overview

Adviser Access spoke to Enterprise's **President Randy Fowler** about how the company has negotiated tough times in the energy market and plans for future growth.

The Advisor Access Interview

Advisor Access: ***The question "Is the Master Limited Partnership (MLP) model broken?" keeps coming up. Enterprise Products Partners seems to be a case of how the model can and is working. Can you explain the steps the company has taken to make that happen?***

Randy Fowler: We hear that quite a bit also. We believe the idea is a simplistic, broad-brush overstatement. The energy industry is a cyclical industry. Sometimes the oil and natural gas producers are most impacted, other times it may be the refining sector or the petrochemical sector. This time producers and oilfield services have been most impacted from an earnings standpoint. Some midstream companies have been impacted more than others. The earnings and cash flow of many midstream MLPs have held up quite well, which is expected from a primarily fee-based business model. However, the correlation of equity prices for the MLP sector with crude oil prices, as measured by the Alerian MLP Index, has been almost as high as that of the oil and gas producers.

There are over 100 companies structured as MLPs, so the capital markets have confidence that the structure is successful. That being said, several variations of MLPs, frankly, do not work very well for typical MLP investors seeking long-term, stable streams of cash distribution income. Those include MLPs with variable rate distributions and those MLPs in the exploration and production and oilfield service industries that have high variability of operating cash flows.

The current energy cycle did not have many warning signs. It came about abruptly in Q4/14 and has been a long and deep cycle, with crude oil hitting as low as $28 per barrel in Q1/16. Several midstream MLPs were not financially prepared to cope with this cycle for a number of reasons, such as having too much debt leverage, weak distribution coverage, a high cost of equity capital due to a general partner in the 50% incentive distribution rights (IDRs) bracket, a publicly traded general partner, or a combination thereof. This lack of financial flexibility contributed to volatility and lower valuations for their equity, which had its own feedback loop.

"It helps to have a great commercial and operating team like Enterprise's, which can find and execute on incremental business opportunities during the periods of volatility."

With respect to the larger MLPs, the equity and debt valuations for MLPs such as Enterprise, Magellan Midstream Partners and Spectra Energy Partners held up better due to the stability of fee-based businesses, lower use of debt leverage, no general partner IDRs (Enterprise and Magellan), lower cost of equity capital, and strong coverage of cash distributions. It also helps to have a great commercial and operating team like Enterprise's, which can find and execute on incremental business opportunities during the periods of volatility.

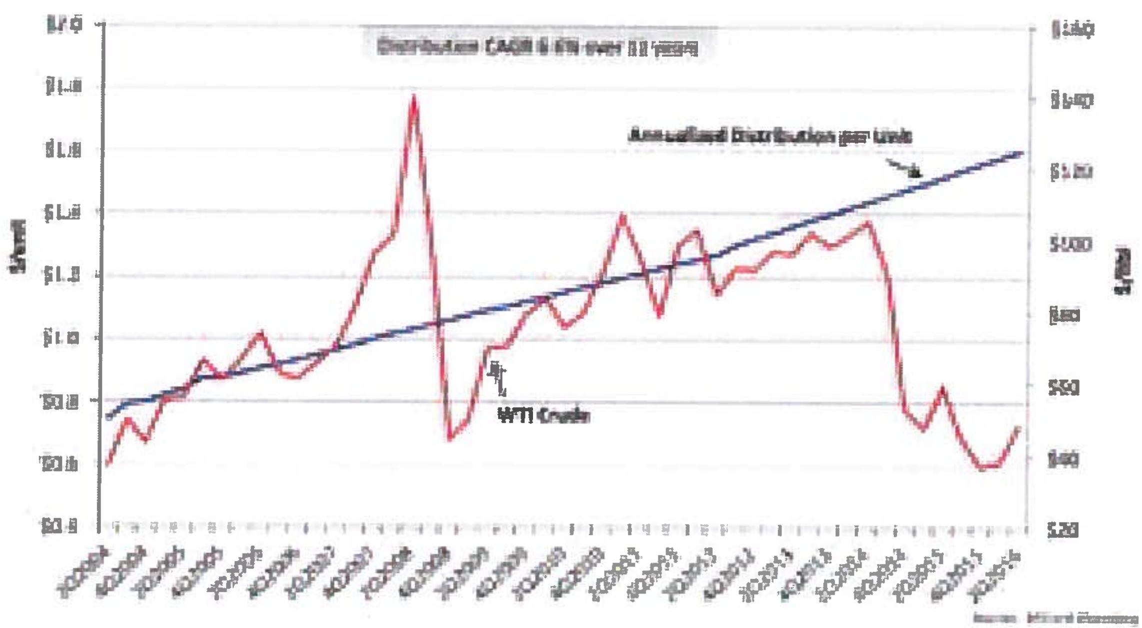
Our founder, Dan Duncan, was a visionary in his early recognition that MLPs with IDRs would ultimately have a prohibitively high cost of equity, less financial flexibility, and an unsustainable business model. He often said MLPs with 50% IDRs would "hit the wall someday." Some have hit that "wall." Enterprise was one of the first MLPs to cap its IDRs at 25% in 2002, when most partnerships had a 50% IDR cap, and then we eliminated our IDRs altogether in 2010.

So, we believe the MLP model works just fine. The combination of earnings volatility, aggressive use of debt leverage, a burdensome 50% IDR, and not covering cash distributions heading into one of the worst oil price cycles in history does not work.

Some of the MLPs with 50% IDRs would probably have been fine if they had been better capitalized and had better distribution coverage. It pays to maintain a financial margin of safety, irrespective of whether a business is organized as a corporation, MLP, LLC, yieldco, or REIT. Always has.

AA: ***That leads into the next question: How does Enterprise balance growth in new infrastructure and financing requirements while still protecting investors through this downturn in the energy cycle?***

RF: The primary objective of Enterprise's business model is sustainability over the long term. One of our financial goals is to balance providing partners with moderate distribution increases with retaining excess distributable cash flow for financial flexibility—and to reinvest in the growth of the partnership. Retained distributable cash flow reduces our reliance on the equity capital markets to fund growth capital projects, and thereby reduces the amount of dilution associated with issuing new equity. We have raised our distribution for 48 consecutive quarters (or 12 years), which, to our knowledge, is the longest track record of any MLP. Our margin of safety has been demonstrated with average distribution coverage of 1.4 times and the retention of over $5 billion ($5B), excluding nonrecurring items, of cash flow in the partnership to fund growth projects since Q1/11.



AA: ***What differentiates Enterprise from other midstream energy operators?***

RF: Reliability, integration, diversification. We look at our asset base as a value chain. It's not uncommon for us to touch a molecule five to seven times in our system. For example, rich natural gas is gathered in the Rockies, then the NGLs are separated from the gas at a processing facility, then the NGLs are transported via one of our long-haul pipelines. The NGLs are further separated at a fractionation facility into purity components, then put into storage, and then moved through a distribution pipeline to an end-customer or an export facility. That type of integration is what attracts our great customer base. It provides flow assurance, market access, and supply diversification. Additionally, our businesses are diversified. Approximately 56% of our $5.3B of total gross operating margin (a non-GAAP measure) for the trailing 12 months ended June 30, 2016, was generated from our NGL business, while 17% came from our crude oil businesses, 14% from our natural gas segment, and 13% from our petrochemical and refined products services segment.

AA: ***When it comes to acquisitions, does that same methodology apply? You wouldn't be interested in something that could have great value if it doesn't have upside for the rest of your assets, correct?***

RF: We are not looking to buy assets just for the sake of getting bigger. An acquisition needs to be accretive to distributable cash flow per unit and complement our existing system. Our most recent acquisitions, Oiltanking Partners and the EFS Midstream assets, had immediate upside for other assets in our system. The Oiltanking transaction enabled us to better stage vessels for loading and unloading hydrocarbons, and we began realizing those efficiencies very quickly. The EFS assets expanded and extended our Eagle Ford position by adding gathering, stabilization, and processing. These assets, integrated with our system, are providing additional upside. Conversely, the Mississippi natural gas storage business we sold in 2011 was an example of an asset that was not integrated with our midstream system and had better value for another operator.

AA: ***Looking across your system, where do investors get the most excited about potential upside for future value?***

RF: First, we have almost $11B in growth projects constructed during the past three years, many of which are still ramping up in terms of contracted volumes and cash flow. These include the ATEX (Appalachia-to-Texas Express), Aegis, Front Range, and Texas Express pipelines, and also Permian processing plants.

Second, we have almost $7B of major projects under construction that are scheduled to begin operations and generate new sources of cash flow between now and the end of 2018. Most of these investments are projects supported by long-term, fee-based contracts with companies in the petrochemical and crude oil refining industries. This provides investors with visibility to continued growth in distributable cash flow for the next several years.

"...We have almost $7B of projects under construction that are scheduled to begin operations and generate new sources of cash flow between now and the end of 2018."

Most recently, we announced plans to build a new natural gas processing plant in the Delaware Basin, which continues to be one of the most active drilling areas in the U.S., despite low crude oil prices. This is our third natural gas processing plant in the basin to be announced in the last 15 months. We are optimistic that we will be expanding one or more of these plants over the next few years.

Two additional projects that we are evaluating also have the attention of investors. We are developing an isobutane dehydrogenation (ibDH) plant that would allow us to fully utilize two existing facilities to increase our production of motor gasoline additives and petrochemical feedstocks. The other project we are evaluating is an ethylene export facility along the U.S. Gulf Coast, and that is being driven by interest from petrochemical companies. U.S. ethylene production capacity is expected to increase by approximately 40% by 2020. This project would provide ethylene producers with access to global markets.

Finally, our integrated midstream system has a large footprint that inherently provides attractive growth opportunities. This, in combination with our attractive cost of capital, supports our ability to increase distributable cash flow.

AA: ***Thank you, Randy.***

Analyst Commentary

"EPD remains a top large-cap midstream pick in part due to its steady financial profile, which includes (1) solid 5-6% annual distribution growth with 1.2-1.3x coverage, (2) diversified, largely fee-based profile with manageable counterparty risk, and (3) financial